

City of Detroit


CITY COUNCIL

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ANNE MARIE LANGAN
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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director 

DATE: September 25, 2009

RE: Resolution authorizing the issuance and sale of sewage disposal System revenue bonds to the Michigan Municipal Bond Authority, Of Junior Standing to the City's sewage disposal system revenue And revenue refunding bonds now outstanding (**Recommend Approval**) ***Line Item 4 on Budget, Finance and Audit Standing Committee's Calendar***

For Council's consideration is a resolution from the Finance Department to issue up to \$13 million in sewage disposal system revenue bonds from the Michigan Municipal Bond Authority's Clean Water Revolving Fund.

The capital improvement project will help to upgrade the sewer system to bring wet weather flow to the new pump station to serve the Oakwood Sewer District located in Southwest Detroit, as part of the City's long term program to control combined sewer overflows.

By issuing the sewer revenue bonds under the Clean Water Revolving Fund, the City will pay interest on the bonds based on a 2.5% interest rate, rather than an approximate 5.5% interest rate, if the bonds were sold on the regular bond market. This saves ratepayers thousands in interest cost.

But more importantly, under the American Recovery and Reinvestment Act (ARRA) of 2009, the project is eligible for forgiveness of not to exceed 40% of the final allowable costs. In other words, 40% of principal, and the interest associated with that principal, are forgiven under the ARRA. If final project cost were \$13 million, then the City would not be responsible to pay back \$5.2 million (40% portion) of the project cost, and the interest associated with it. This represents tremendous savings to the ratepayers.

We recommend approval of the above referenced resolution.

Attachment

cc: Council Divisions
Auditor General's Office
Norman White, CFO/Group Executive
Donita Crumpler, Manager II-Finance
Pamela Scales, Budget Director
Kamau Marable, Mayor's Office

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September 4, 2009

Honorable City Council:

RE: Resolution Authorizing the Issuance and Sale of Sewage Disposal System Revenue Bonds to the Michigan Municipal Bond Authority, of Junior Standing to the City's Sewage Disposal System Revenue and Revenue Refunding Bonds now outstanding

The attached Resolution authorizes the issuance and sale of approximately \$13 million of Sewage Disposal System Revenue Bonds for the purpose of defraying part of the cost of acquiring and constructing repairs, extension and improvements, which include upgrading the System to bring wet weather flow to a new pump station and retention basin to serve the Oakwood Sewer District in southwest Detroit, as part of the long-term program to control combined sewer overflows.

This financing is for participation in the Michigan Municipal Bond Authority's Clean Water Revolving Fund first quarter financing. The Project will be eligible for forgiveness of not to exceed 40% of the final allowable Project costs from funds received by the State under the American Recovery and Reinvestment Act of 2009.

Bond Counsel has prepared the attached Resolution and I recommend its adoption by your Honorable Body, with waiver of reconsideration, at your next formal session.

Respectfully submitted,



Norman L. White
Finance Director

NLW/dc

Cc: Kamau Marable
Irvin Corley
David Whitaker

APPENDIX B

THE PROJECT

Oakwood Relief Sewer System Project 5175-08 (PCS-80). The Detroit Water and Sewerage Department (“DWSD”) is constructing a new pump station and 9 million gallon retention basin to serve the Oakwood Sewer District in southwest Detroit, as part of the City’s long term program to control combined sewer overflows (CSOs). The Project is the second of four contracts to accomplish the task of upgrading the sewer system to bring wet weather flow to the new pump station. This will provide the capacity needed to transport peak flows during wet weather events without surcharging the System. This work is part of an approved plan covered by the National Pollutant Discharge Elimination System (NPDES) permit issued to DWSD by the State of Michigan. The Project and other collector sewer improvements are being undertaken as a separate construction project, independent of the proposed CSO control facility.

The Project includes, but is not necessarily limited to, the construction of approximately 14,782 linear feet of 12, 15, 18, 21, 24, 27, 30, 36, 54, and 60 inch combined sewer, approximately 2,520 linear feet of catch basin leads, 72 standard manholes, two drop manholes, nine 54” x 48” tee manholes, one 60” x 48” tee manhole, 116 catch basins, one 10’ x 10’ junction chamber in the area bounded by Schaefer to the north, Basset to the east, Electric to the west, and Outer Drive to the south – and the area along Patricia from Leonard to Gilroy, along Liebold between Leonard and Toronto, and along Gilroy from Patricia to Liddesdale in the City of Detroit, Michigan.